

FINANCIAL STATEMENT

**VILLAGE OF COLUMBIAVILLE
LAPEER COUNTY, MICHIGAN**

February 28, 2006

VILLAGE COUNCIL

THOMAS WOOD - PRESIDENT

JOANNE St. PIERRE

MARVIN ARMS

BARB HARRIS

KANDIE DEWEESE

KIM GOLDORF

TINA WATSON

OTHER OFFICERS

CLERK - DENISE DUPACK

TREASURER - DEBORAH BURROWS

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF COLUMBIAVILLE	County LAPEER
Fiscal Year End 2/28/2006	Opinion Date 10/27/2006	Date Audit Report Submitted to State 12/22/2006	

We affirm that:

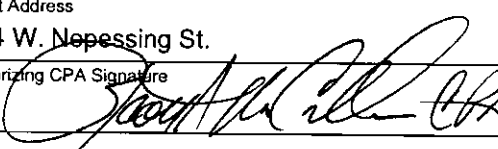
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO FINDINGS REQUIRING COMMENT	
Other (Describe)	<input checked="" type="checkbox"/>	SINGLE AUDIT REPORTS	
Certified Public Accountant (Firm Name) ROBSON & McCALLUM, CPA'S		Telephone Number 810-664-2961	
Street Address 624 W. Noyessing St.		City LAPEER	State MI
Zip 48446			
Authorizing CPA Signature 		Printed Name SCOTT A. McCALLUM	License Number 1101015463

**Village of Columbiaville
Annual Financial Report
For the Fiscal Year Ended February 28, 2006**

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

Independent Auditor's Report

Village Council
Village of Columbiaville
4605 Pine Street
Columbiaville, Michigan 48421

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Columbiaville, Lapeer County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Columbiaville's management. Our responsibility is to express opinions on these financial statements based on our audit.

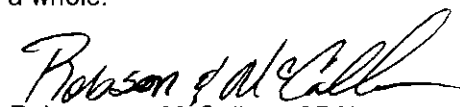
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Columbiaville, Lapeer County, Michigan, as of February 28, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated October 19, 2006 on our consideration of the Village of Columbiaville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Columbiaville's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Robson and McCallum, CPA's
October 27, 2006

Village of Columbiaville
LAPEER COUNTY
LAPEER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Columbiaville, Lapeer County, Lapeer, Michigan (the "Village"), we offer readers of the village's financial statements this narrative overview and analysis of the Village's financial activities for the fiscal year ended February 28, 2006. We encourage readers to consider the information presented herein in conjunction with the Village's financial statements.

Financial Highlights

The assets of the Village of Columbiaville exceeded its liabilities by \$2,901,555, of this amount, \$734,605 may be used to meet the Village's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year the Village's governmental funds reported combined ending fund balances of \$448,780 a decrease of \$79,250 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$38,511, or approximately 22% of normal general fund expenditures.

The Village's total debt decreased \$74,191, during the current fiscal year.

Overview of the Financial Statements

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements provide information about the activities of the Village, presenting a broad long-term overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Village include general government, public safety, public works, cemetery and building department operations. The business-type activities of the Village include a sewer system.

Reporting the Village's Most Significant Funds - Fund Financial Statements

The Village's fund financial statements provide detailed information about the most significant funds, not the Village as a whole.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Village of Columbiaville maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Downtown Development Authority which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriate budget for its general fund and special revenue funds. A budgetary comparison statements has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The Village maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water, sewer and disposal activities. The internal service fund, the equipment fund, supplies equipment for the Village's other funds.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Village as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of February 28, 2006 and February 28, 2005.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total 02/28/06</u>	<u>Total 02/28/05</u>
<u>Assets</u>				
Current Assets	\$ 510,976	\$ 512,249	\$ 1,023,225	\$ 1,094,263
Capital Assets - Net of Depreciation	<u>327,022</u>	<u>3,242,308</u>	<u>3,569,330</u>	<u>2,878,896</u>
Total Assets	<u>\$ 837,998</u>	<u>\$ 3,754,557</u>	<u>\$ 4,592,555</u>	<u>\$ 3,973,159</u>
<u>Liabilities</u>				
Current Liabilities	\$ 15,000	\$ 42,000	\$ 57,000	\$ 162,435
Long Term Liabilities	<u>40,000</u>	<u>1,594,000</u>	<u>1,634,000</u>	<u>1,702,000</u>
Total Liabilities	<u>\$ 55,000</u>	<u>\$ 1,636,000</u>	<u>\$ 1,691,000</u>	<u>\$ 1,864,435</u>
<u>Net Assets</u>				
Invested in Capital Assets	\$ 327,022	\$ 1,606,308	\$ 1,933,330	\$ 1,193,896
Restricted	45,199	188,421	233,620	228,144
Unrestricted	<u>410,777</u>	<u>323,828</u>	<u>734,605</u>	<u>686,684</u>
Total Net Assets	<u>\$ 782,998</u>	<u>\$ 2,118,557</u>	<u>\$ 2,901,555</u>	<u>\$ 2,108,724</u>

The following table shows the changes of the net assets during the fiscal years ending February 28, 2006 and February 28, 2005.

	Governmental Activities	Business Type Activities	Total 02/28/06	Total 02/28/05
<u>Revenue</u>				
Program Revenues:				
Charges for Services	\$ 14,526	\$ 339,290	\$ 353,816	\$ 281,159
Sales and Rentals	5,440	16,846	22,286	23,360
Other	25,042		25,042	22,197
General Revenue:				
Property Taxes and Collection Fees	221,118		221,118	206,098
State-shared Revenue	164,230		164,230	168,340
Interest Earnings	8,674	20,854	29,528	17,102
Capital Grants	<u>242,035</u>	<u>863,015</u>	<u>1,105,050</u>	<u>77,000</u>
Total Revenue	<u>\$ 681,065</u>	<u>\$ 1,240,005</u>	<u>\$ 1,921,070</u>	<u>\$ 795,256</u>
<u>Program Expenses</u>				
General Government	\$ 109,781	\$ -0-	\$ 109,781	\$ 106,030
Public Safety	10,537		10,537	30,896
Public Works	564,645	386,271	950,916	407,980
Other Activities	<u>57,005</u>		<u>57,005</u>	<u>72,225</u>
Total Program Expenses	<u>\$ 741,968</u>	<u>\$ 386,271</u>	<u>1,128,239</u>	<u>\$ 617,131</u>
Change in Net Assets	<u>\$ (60,903)</u>	<u>\$ 853,734</u>	<u>\$ 792,831</u>	<u>\$ 178,125</u>

The Village's Funds

The Village uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Village's overall financial health. The analysis of the Village's major funds begins on page 3, following the government-wide financial statements.

Capital Asset and Debt Administration

Capital Assets

At February 28, 2006, the Village had \$5,388,540 invested in broad range of capital assets, including land, building and equipment. This amount represents a net increase of \$785,172.

Land	\$ 169,123
Buildings and Improvements	188,126
Vehicles and Equipment	579,602
Water System	898,499
Sewer System	<u>3,553,190</u>
Total Capital Assets	\$ 5,388,540
Less Accumulated Depreciation	<u>(1,819,210)</u>
Net Capital Assets	<u>\$ 3,569,330</u>

Debt Administration

The Village had two major sources of debt during the fiscal year ended February 28, 2006: bonds issued for the sewer system expansion and the original cost of the water system. The Village paid \$21,000 and \$28,000 in principal payments towards those obligations.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Overall, appropriations were increased by \$12,550.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A and the Headlee Amendment, the Village must continue to watch the budget very closely. The most significant of these events during the fiscal year are the drastic cuts in State Revenue Sharing. These revenues decreased due to the downturn in the economy and State cutbacks during 2005 and 2006.

Contacting the Village's Management

This financial report is intended to provide our residents, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at

Mr. Thomas Wood
Village President

STATEMENT OF NET ASSETS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 28, 2006

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 371,478	\$ 281,818	\$ 653,296
Receivables	94,299	41,010	135,309
Restricted Assets - Cash and Cash Equivalents	45,199	188,421	233,620
Inventory	<u> </u>	<u>1,000</u>	<u>1,000</u>
Total Current Assets	<u>\$ 510,976</u>	<u>\$ 512,249</u>	<u>\$ 1,023,225</u>
Capital Assets:			
Land	\$ 96,204	\$ 72,919	\$ 169,123
Buildings	118,710	69,416	188,126
Vehicles and Equipment	510,491	69,111	579,602
Water System		898,499	898,499
Sewer System		3,553,190	3,553,190
Accumulated Depreciation	<u>(398,383)</u>	<u>(1,420,827)</u>	<u>(1,819,210)</u>
Net Capital Assets	<u>327,022</u>	<u>3,242,308</u>	<u>3,569,330</u>
Total Assets	<u>\$ 837,998</u>	<u>\$ 3,754,557</u>	<u>\$ 4,592,555</u>
<u>LIABILITIES</u>			
Current Portion of Long-Term Debt	\$ 15,000	\$ 42,000	\$ 57,000
Long-Term Liabilities			
Bonds Payable	<u>40,000</u>	<u>1,594,000</u>	<u>1,634,000</u>
Total Liabilities	<u>\$ 55,000</u>	<u>\$ 1,636,000</u>	<u>\$ 1,691,000</u>
<u>NET ASSETS</u>			
Invested in Capital Assets net of Related Debt	\$ 327,022	\$ 1,606,308	\$ 1,933,330
Restricted for Debt Service	33,026	161,821	194,847
Restricted for Cemetery Operations	12,173		12,173
Restricted for Repairs and Improvements		26,600	26,600
Unrestricted	<u>410,777</u>	<u>323,828</u>	<u>734,605</u>
Total Net Assets	<u>\$ 782,998</u>	<u>\$ 2,118,557</u>	<u>\$ 2,901,555</u>

STATEMENT OF ACTIVITIES
VILLAGE OF COLUMBIANVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

Functions/Program	Net (Expense) Revenue & Changes in Net Assets					
	Expenses	Charges For Services	Capital Grants	Governmental Activities	Business Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 116,292	\$ 45,008	\$ -0-	\$ (71,284)	\$ -0-	\$ (71,284)
Public Safety	10,537			(10,537)		(10,537)
Public Works	564,645		242,035	(322,610)		(322,610)
Parks and Recreation	17,600			(17,600)		(17,600)
Insurance	28,434			(28,434)		(28,434)
Interest on Long Term Debt	4,460			(4,460)		(4,460)
Total Government Activities	<u>\$ 741,968</u>	<u>\$ 45,008</u>	<u>\$ 242,035</u>	<u>\$(454,925)</u>	<u>\$ -0-</u>	<u>\$ (454,925)</u>
Business Type Activities	\$ 301,345	\$ 356,136	\$ 863,015	\$ -0-	\$ 917,806	\$ 917,806
Interest on Long Term Debt	84,926				(84,926)	(84,926)
Total Business Type Activities	<u>\$ 386,271</u>	<u>\$ 356,136</u>	<u>\$ 863,015</u>	<u>\$ -0-</u>	<u>\$ 832,880</u>	<u>\$ 832,880</u>
Total Primary Government	<u>\$1,128,239</u>	<u>\$ 401,144</u>	<u>\$1,105,050</u>	<u>\$(454,925)</u>	<u>\$ 832,880</u>	<u>\$ 377,955</u>

General Revenues:

Property Taxes	\$ 221,118	\$ -0-	\$ 221,118
State Shared Revenues	164,230		164,230
Interest Earnings	8,674	20,854	29,528
Total General Revenue	<u>\$ 394,022</u>	<u>\$ 20,854</u>	<u>\$ 414,876</u>
Change in Net Assets	\$ (60,903)	\$ 853,734	\$ 792,831
Net Assets - March 1, 2005	<u>843,901</u>	<u>1,264,823</u>	<u>2,108,724</u>
Net Assets - February 28, 2006	<u>\$ 782,998</u>	<u>\$2,118,557</u>	<u>\$2,901,555</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
February 28, 2006

	<u>GENERAL FUND</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 111,834	\$ 80,459	\$ 116,989	\$ 309,282
Receivables	30,597	49,517	14,185	94,299
Restricted Assets - Cash and Cash Equivalents	12,173		33,026	45,199
Due From Other Funds		<u>78,867</u>	<u>44,875</u>	<u>123,742</u>
Total Assets	<u>\$ 154,604</u>	<u>\$ 208,843</u>	<u>\$ 209,075</u>	<u>\$ 572,522</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 103,920	\$ -0-	\$ 19,822	\$ 123,742
Total Liabilities	<u>\$ 103,920</u>	<u>\$ -0-</u>	<u>\$ 19,822</u>	<u>\$ 123,742</u>
<u>FUND EQUITY</u>				
Fund Balances:				
Reserved for Cemetery Operations	\$ 12,173	\$ -0-	\$ -0-	\$ 12,173
Reserved for Debt Service			33,026	33,026
Unreserved	<u>38,511</u>	<u>208,843</u>	<u>156,227</u>	<u>403,581</u>
Total Fund Equity	<u>\$ 50,684</u>	<u>\$ 208,843</u>	<u>\$ 189,253</u>	<u>\$ 448,780</u>
Total Liabilities and Fund equity	<u>\$ 154,604</u>	<u>\$ 208,843</u>	<u>\$ 209,075</u>	<u>\$ 572,522</u>

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

Total Fund Balances For Governmental Funds and Equipment Funds	\$ 580,783
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in Governmental activities are not financial resources and, therefore, are not reported in the funds	257,215
Long-Term liabilities are not due and payable In the current period and, therefore, are not reported in the funds.	<u>(55,000)</u>
Net Assets of Governmental Activities	<u>\$ 782,998</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	GENERAL FUND	DOWNTOWN DEVELOPMENT AUTHORITY	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Property Taxes	\$ 73,935	\$ 118,384	\$ 28,799	\$ 221,118
State Shared Revenue	93,961		70,269	164,230
Charges for Services	14,526			14,526
Sales and Rentals	5,440			5,440
Interest Earnings	2,935	3,260	2,479	8,674
Capital Grants		242,035		242,035
Event Income		19,967		19,967
Other Local Revenue	5,075			5,075
Total Revenues	<u>\$ 195,872</u>	<u>\$ 383,646</u>	<u>\$ 101,547</u>	<u>\$ 681,065</u>
EXPENDITURES				
Current:				
General Government:				
Village Council	\$ 7,248	\$ -0-	\$ -0-	\$ 7,248
President	1,106			1,106
Assessor	300			300
Clerk	24,965			24,965
Legal and Audit	2,238			2,238
Treasurer	10,860			10,860
Village Hall	8,381			8,381
Cemetery	29,698			29,698
Other General Government		23,642	4,843	28,485
Total General Government	<u>\$ 84,796</u>	<u>23,642</u>	<u>4,843</u>	<u>113,281</u>
Public Safety	10,537			10,537
Public Works	43,735	439,764	87,504	571,003
Parks and Recreation	3,202	14,398		17,600
Insurance	28,434			28,434
Debt Service:				
Principal			15,000	15,000
Interest			4,460	4,460
Total Expenditures	<u>\$ 170,704</u>	<u>\$ 477,804</u>	<u>\$ 111,807</u>	<u>\$ 760,315</u>
Net Change in Fund Balance	<u>\$ 25,168</u>	<u>\$ (94,158)</u>	<u>\$ (10,260)</u>	<u>\$ (79,250)</u>
Fund Balance - March 1, 2005	<u>25,516</u>	<u>303,001</u>	<u>199,513</u>	<u>528,030</u>
Fund Balance - February 28, 2006	<u>\$ 50,684</u>	<u>\$ 208,843</u>	<u>\$ 189,253</u>	<u>\$ 448,780</u>

See Auditor's Report and Notes to the Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

Net change in fund balance - Total Governmental and Equipment Funds	\$ (72,892)
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their useful lives.	3,500
Depreciation is an expenditure for the Statement Of Activities, but it is not reported in the Governmental Funds.	(6,511)
Governmental Funds report the repayment of debt as an expenditure. The repayment of debt reduces the liability in the Statement of Net Assets.	<u>15,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (60,903)</u></u>

STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>WATER</u>	<u>SEWER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 124,331	\$ 144,935	\$ 12,552	\$ 281,818
Receivables - Net	20,554	13,803	6,653	41,010
Restricted Assets - Cash and Cash Equivalents	14,800	173,621		188,421
Inventory		1,000		1,000
Due from Other Funds	5,933			5,933
Total Current Assets	<u>\$ 165,618</u>	<u>\$ 333,359</u>	<u>\$ 19,205</u>	<u>\$ 518,182</u>
Noncurrent Assets				
Capital Assets:				
Land	\$ 72,919	\$ -0-	\$ -0-	\$ 72,919
Buildings	51,963	17,453		69,416
Equipment	15,005	54,106		69,111
Water System		898,499		898,499
Sewer System	3,553,190			3,553,190
Accumulated Depreciation	(965,345)	(455,482)		(1,420,827)
Net Noncurrent Assets	<u>2,727,732</u>	<u>514,576</u>	<u>-0-</u>	<u>3,424,308</u>
Total Assets	<u>\$ 2,893,350</u>	<u>\$ 847,935</u>	<u>\$ 19,205</u>	<u>\$ 3,760,490</u>
<u>LIABILITIES</u>				
Current Liabilities				
Current Portion of Long-Term Debt	\$ 12,000	\$ 30,000	\$ -0-	\$ 42,000
Due to Other Funds		5,933		5,933
Total Current Liabilities	<u>\$ 12,000</u>	<u>\$ 35,933</u>	<u>\$ -0-</u>	<u>\$ 47,933</u>
Long-Term Liabilities				
Bonds Payable	<u>1,104,000</u>	<u>490,000</u>	<u>-0-</u>	<u>1,594,000</u>
Total Liabilities	<u>\$ 1,116,000</u>	<u>\$ 525,933</u>	<u>\$ -0-</u>	<u>\$ 1,641,933</u>
<u>NET ASSETS</u>				
Invested in Capital Assets net of Related Debt	\$ 1,611,732	\$ (5,424)	\$ -0-	\$ 1,606,308
Restricted for Debt Service	8,200	153,621		161,821
Restricted for Repairs and Improvements	6,600	20,000		26,600
Unrestricted	<u>150,818</u>	<u>153,805</u>	<u>19,205</u>	<u>323,828</u>
Total Net Assets	<u>\$ 1,777,350</u>	<u>\$ 322,002</u>	<u>\$ 19,205</u>	<u>\$ 2,118,557</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - ENTERPRISE FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>SEWER</u>	<u>WATER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 177,682	\$ 118,626	\$ 42,982	\$ 339,290
Rental Income		<u>16,846</u>		<u>16,846</u>
Total Operating Revenues	<u>\$ 177,682</u>	<u>\$ 135,472</u>	<u>\$ 42,982</u>	<u>\$ 356,136</u>
<u>OPERATING EXPENSES</u>				
Operations	\$ 102,841	\$ 45,433	\$ 39,509	\$ 187,783
Maintenance	8,985	13,104		22,089
Administration	11,719	8,328	2,699	22,746
Depreciation	<u>48,175</u>	<u>20,552</u>		<u>68,727</u>
Total Operating Expenses	<u>\$ 171,720</u>	<u>\$ 87,417</u>	<u>\$ 42,208</u>	<u>\$ 301,345</u>
Operating Income (Loss)	\$ 5,962	\$ 48,055	\$ 774	\$ 54,791
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest and Penalties	\$ 6,901	\$ 10,505	\$ 3,448	\$ 20,854
Interest Expense	(49,306)	(35,620)		(84,926)
Capital Grants	<u>863,015</u>			<u>863,015</u>
Change in Net Assets	\$ 826,572	\$ 22,940	\$ 4,222	\$ 853,734
<u>Net Assets</u> - March 1, 2005	<u>950,778</u>	<u>299,062</u>	<u>14,983</u>	<u>1,264,823</u>
<u>Net Assets</u> - February 28, 2006	<u>\$ 1,777,350</u>	<u>\$ 322,002</u>	<u>\$ 19,205</u>	<u>\$ 2,118,557</u>

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>SEWER</u>	<u>WATER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received From Customers	\$ 174,092	\$ 135,530	\$ 41,869	\$ 351,491
Payments to Supplies and Vendors	(160,811)	(35,423)	(37,809)	(234,043)
Payments to Employees	<u>(44,353)</u>	<u>(31,442)</u>	<u>(4,399)</u>	<u>(80,194)</u>
Net Cash Flows From Operations	\$ <u>(31,072)</u>	\$ <u>68,665</u>	\$ <u>(339)</u>	\$ <u>37,254</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Payments on Long-Term Debt	\$ (21,000)	\$ (28,000)	\$ -0-	\$ (49,000)
Interest Paid	(66,767)	(35,620)		(102,387)
Purchase of Capital Assets	(781,672)			(781,672)
Capital Grants	<u>863,015</u>	<u> </u>	<u> </u>	<u>863,015</u>
Net Cash Flows from Capital and Related Financing Activities	\$ <u>(6,424)</u>	\$ <u>(63,620)</u>	\$ <u>-0-</u>	\$ <u>(70,044)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and Penalty Income	\$ <u>6,901</u>	\$ <u>10,505</u>	\$ <u>3,448</u>	\$ <u>20,854</u>
Net Cash Flows from Investing Activities	<u>6,901</u>	<u>10,505</u>	<u>3,448</u>	<u>20,854</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (30,595)	\$ 15,550	\$ 3,109	\$ (11,936)
<u>CASH AND CASH EQUIVALENTS - March 1, 2005</u>	<u>169,726</u>	<u>303,006</u>	<u>9,443</u>	<u>482,175</u>
<u>CASH AND CASH EQUIVALENTS - February 28, 2006</u>	<u>\$ 139,131</u>	<u>\$ 318,556</u>	<u>\$ 12,552</u>	<u>\$ 470,239</u>
<u>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 5,962	\$ 48,055	\$ 774	\$ 54,791
Depreciation and Amoritzation	48,175	20,552	(1,113)	67,614
(Increase) Decrease in Accounts Receivable	(3,590)	58		(3,532)
Decrease in Accounts Payable	<u>(81,619)</u>	<u> </u>	<u> </u>	<u>(81,619)</u>
Net Cash Provided By Operating Activities	\$ <u>(31,072)</u>	\$ <u>68,665</u>	\$ <u>(339)</u>	\$ <u>37,254</u>

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

The accounting methods and procedures adopted by the Village of Columbiaville, Lapeer County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2005, the Village adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 - Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments.

Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.

Statement No. 34 - (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Village's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Village's statement of net assets includes both non-current assets and non-current liabilities of the Village, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Village's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Village in fiscal year 2005.

The above statements did not affect the Fund Balance of the Village.

SCOPE OF REPORTING ENTITY:

The Village of Columbiaville was incorporated under the laws of the State of Michigan in 1838 and has operated since 1968 under a Home-rule Village-Council Manager form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the Village of Columbiaville, an entity legally separate from the Village, is governed by a Council appointed by the Village Council. For financial reporting purposes, the DDA is reported as if it were part of the Village's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the Village.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS:

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The accounts of the government are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS:

The Village reports the following governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Municipal Street Repair Fund - The Municipal Street Repair Fund accounts for a Village-wide millage assessed for maintenance, improvements and debt service for streets within the Village.

Downtown Development Authority Fund - The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the Village.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Village reports the following Enterprise Funds and Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Disposal Fund - The Disposal Fund accounts for the activities of the garbage collection for the residents. Funding is provided primarily through user charges.

Equipment Fund (Internal Service Fund) - This fund was established to account for the equipment rental provided by one department to other departments of the Village on a cost-reimbursement basis.

DEPOSITS AND INVESTMENTS:

CASH EQUIVALENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired, are considered to be cash equivalents.

CASH AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated three banks for the deposit of Village funds. The investment policy adopted by the council is in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts, CD's, and direct obligations of the United States, but not the remainder of the State statutory authority as listed above. All cash deposits and investments of the Village are held by the Village in the Village's name.

RESTRICTED ASSETS:

Restricted assets are cash and cash equivalents that have been set a side for debt service principal and interest, operations and maintenance, and a bond reserve. The Village has met or exceeded the bond covenants as stipulated under both the water system and sewer system bond agreements.

PROPERTY TAXES:

Property taxes are levied each July 1st on the State equalized value of property located in the Village as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50 percent of current market value. The 2005 taxable value of the Village totaled \$12,093,841. Millage rates assessed were 9.6561 for general operating and 3.8623 for street maintenance.

The Village bills and collects its own property taxes. Village property tax revenues are recognized as revenues in the fiscal year levied.

Property taxes levied on July 1st are payable without penalty through August 31st. As of Sept 1st, unpaid taxes attach as an enforceable lien on the property. Delinquent taxes, special assessments, and utility user fees, are purchased by the County of Lapeer.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS:

Measurement Focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Village are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of our Enterprise Fund relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

ACCOUNTS RECEIVABLE:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectibles are as follows:

Sewer	\$ 1,200
Water	100

INVENTORY:

Inventory in the Water Fund consists of expendable supplies held for consumption. The amount of inventory shown on the balance sheet is an allowance for inventory of expendable supplies that were on hand at the balance sheet date. An actual inventory was not taken. The Village uses the consumption method for accounting for inventory.

CAPITAL ASSETS:

Capital assets which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$1,000 or more for equipment and \$5,000 or more for non equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Governmental</u>	
Buildings and Improvements	5 - 50 Years
Equipment	5 - 20 Years
Vehicles	5 - 20 Years
<u>Enterprise</u>	
Equipment	7 - 10 Years
Municipal Sewer System	20 - 50 Years
Municipal Water System	20 - 50 Years

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

NET ASSETS:

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of governments.

USE OF ESTIMATES:

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

BUDGETARY AND LEGAL COMPLIANCE:

BUDGETARY DATA:

The following procedures were completed in establishing the budgetary data reflected in the financial statements:

The modified accrual based budget was legally enacted on a departmental (activity) basis through the passage of a resolution.

The budget was used by the Village Board as a management tool during the year for all budgetary funds. Any revisions that altered the total expenditures of any department were approved by the Village Board.

Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement length basis.

The original budget was amended during the year in compliance with applicable State laws. The budget to actual expenditures in the financial statements represent the final budget as amended by the Village Board.

EXCESS EXPENDITURES OVER BUDGETARY AMOUNTS:

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted by activity within a fund. During the budget year, the Village did not incur expenditures beyond budgeted amounts in the funds for which budgets were adopted.

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

CASH AND INVESTMENTS:

The Village's deposits are in accordance with statutory authority. At February 28, 2006, the balance sheet carrying amount of cash deposits was \$775,013. The bank balance as of February 28, 2006 was \$841,060 of which \$200,000 was covered by FDIC insurance and \$12,173 was insured by the National Credit Union Share Insurance Fund. Cash deposits are classified in risk category number three and are uncollateralized.

Investments are stated at cost. Treasury Strips are held by the Village's paying agent in the Village's name.

<u>DESCRIPTION</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Treasury Strips	\$111,903	\$ -0-	\$ -0-	\$111,903	\$111,903

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

The carrying amount of Cash, Cash Equivalents, and Investments on the Statement of Net Assets consists of the following:

	<u>CASH AND CASH EQUIVALENTS</u>	<u>RESTRICTED ASSETS</u>	<u>TOTAL</u>
Bank Deposits (Checking, Savings, and Time Certificate)	\$653,296	\$121,717	\$775,013
Treasury Strips	<u>-0-</u>	<u>111,903</u>	<u>111,903</u>
Total Reported on Balance Sheet	<u>\$653,296</u>	<u>\$233,620</u>	<u>\$886,916</u>

CAPITAL ASSETS:

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES FOLLOWS:

	<u>BALANCE 3/01/05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE 2/28/06</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 96,204</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 96,204</u>
Capital Assets Being Depreciated				
Building and Improvements	\$ 118,710	\$ -0-	\$ -0-	\$ 118,710
Vehicles and Equipment	<u>506,991</u>	<u>3,500</u>	<u>-</u>	<u>510,491</u>
Total Capital Assets Being Depreciated	<u>\$ 625,701</u>	<u>\$ 3,500</u>	<u>\$ -0-</u>	<u>\$ 629,201</u>
Less Accumulated Depreciation for				
Building and Improvements	\$ 37,123	\$ 2,787	\$ -0-	\$ 39,910
Vehicles and Equipment	<u>335,249</u>	<u>23,224</u>	<u>-</u>	<u>358,473</u>
Total Accumulated Depreciation	<u>\$ 372,372</u>	<u>\$ 26,011</u>	<u>\$ -0-</u>	<u>\$ 398,383</u>
Total Capital Assets Being Depreciated, Net	<u>253,329</u>	<u>(22,511)</u>	<u>-0-</u>	<u>230,818</u>
Total Governmental Activity Assets, Net	<u>\$ 349,533</u>	<u>\$ (22,511)</u>	<u>\$ -0-</u>	<u>\$ 327,022</u>

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES FOLLOWS:

	BALANCE 3/01/05	ADDITIONS	DEDUCTIONS	BALANCE 2/28/06
Capital Assets Not Being Depreciated				
Land	\$ 72,919	\$ -0-	\$ -0-	\$ 72,919
Capital Assets Being Depreciated				
Buildings	\$ 69,416	\$ -0-	\$ -0-	\$ 69,416
Water System	898,499			898,499
Sewer System	2,771,518	781,672		3,553,190
Vehicles and Equipment	69,111			69,111
Total Capital Assets Being Depreciated	<u>\$ 3,808,544</u>	<u>\$ 781,672</u>	<u>\$ -0-</u>	<u>\$ 4,590,216</u>
Less Accumulated Depreciation for				
Buildings	\$ 64,683	\$ 1,307	\$ -0-	\$ 65,990
Water System	359,110	20,164		379,274
Sewer System	859,196	47,256		906,452
Vehicles and Equipment	69,111			69,111
Total Accumulated Depreciation	<u>\$ 1,352,100</u>	<u>\$ 68,727</u>	<u>\$ -0-</u>	<u>\$ 1,420,827</u>
Total Capital Assets Being Depreciated, Net	<u>2,456,444</u>	<u>712,945</u>	<u>-0-</u>	<u>3,169,389</u>
Total Business Type Activity Assets, Net	<u>\$ 2,529,363</u>	<u>\$ 712,945</u>	<u>\$ -0-</u>	<u>\$ 3,242,308</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government \$ 6,511

Capital Assets held by the government's internal funds are charged to various functions based on their usage of the assets. 19,500

Total Depreciation Expense - Governmental Activities \$ 26,011

Business-Type Activities:

Water and Sewer \$ 68,727

INDIVIDUAL FUND INTERFUND RECEIVABLE/PAYABLE:

	<u>RECEIVABLES</u>	<u>PAYABLES</u>
Downtown Development Authority	78,867	
General		59,045
Municipal Street Repair		19,822
Subtotal	<u>78,867</u>	<u>78,867</u>
General	5,933	
Trust and Agency		5,933
Subtotal	<u>5,933</u>	<u>5,933</u>
Municipal Street Repair	44,875	
General		44,875
Subtotal	<u>44,875</u>	<u>44,875</u>
Grand Total	<u>\$129,675</u>	<u>\$ 129,675</u>

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

LONG-TERM DEBT:

	<u>Interest Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds and Contracts						
1994 Michigan Transportation Bond	5.70%	\$15,000				
Amount of Issue - \$200,000	to	to				
Maturing Through 2009	6.50%	\$20,000	\$ 70,000	\$ (15,000)	\$ 55,000	\$ 15,000
2002 Installment Purchase Contract						
Amount of Issue - \$30,500						
Maturing Through 2006	3.25%	\$ 5,083	10,191	(10,191)	-0-	-0-
Total Governmental Activities			<u>\$ 80,191</u>	<u>\$ (25,191)</u>	<u>\$ 55,000</u>	<u>\$ 15,000</u>
Business Type Activities						
1987 Water Supply System Revenue Bonds						
Amount of Issue - \$764,000		\$3,000 -				
Maturing Through 2017	6.50%	69,000	\$ 548,000	\$ (28,000)	\$ 520,000	\$ 30,000
2004A Sewage Disposal System Revenue Bonds						
Amount of Issue - \$739,000		\$ 7,000 -				
Maturing Through 2044	4.375%	39,000	739,000	(14,000)	725,000	8,000
2004B Sewage Disposal System Revenue Bonds						
Amount of Issue - \$398,000		\$ 3,000 -				
Maturing Through 2044	4.75%	19,000	398,000	(7,000)	391,000	4,000
Total Business Type Activities			<u>\$1,685,000</u>	<u>\$ (49,000)</u>	<u>\$1,636,000</u>	<u>\$ 42,000</u>
Total			<u>\$1,765,191</u>	<u>\$ (74,191)</u>	<u>\$1,691,000</u>	<u>\$ 57,000</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending February 28	Governmental Activities			Business Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,000	\$ 3,530	\$ 18,530	\$ 42,000	\$ 82,624	\$ 124,624
2008	20,000	2,600	22,600	45,000	80,150	125,150
2009	20,000	1,300	21,300	49,000	77,481	126,481
2010				52,000	77,573	129,573
2011				56,000	71,468	127,468
2012-2017				437,000	348,530	785,530
2018-2044				955,000	693,635	1,648,635
Total	<u>\$ 55,000</u>	<u>\$ 7,430</u>	<u>\$ 62,430</u>	<u>\$1,636,000</u>	<u>\$1,431,461</u>	<u>\$3,067,461</u>

PENSION PLAN:

The Village Pension Plan is a defined benefit plan that is administered by the Municipal Employee's Retirement System. The participants can contribute up to 5%, as calculated by the State of Michigan, of their annual gross wages (after tax), the Village pays the Annual Contributions Requirement. Employee contributions are vested immediately. Village contributions vest after 10 years, payable at age 60. The cost to the Village for the February 28, 2006 was \$3,338. The Plan is a defined benefit plan with contributions calculated by the State of Michigan. As of the statement date, no actuarial information has been provided to the Village by the Municipal Employee's Retirement System.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL - GENERAL FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
REVENUES				
Property Taxes	\$ 78,500	\$ 85,500	\$ 73,935	\$ (11,565)
State Shared Revenue	97,100	97,100	93,961	(3,139)
Charges for Services	9,400	12,700	14,526	1,826
Sales and Rentals	7,000	7,000	5,440	(1,560)
Interest Earnings	1,000	2,200	2,935	735
Other Revenues	5,500	6,550	5,075	(1,475)
Total Revenues	<u>\$ 198,500</u>	<u>\$ 211,050</u>	<u>\$ 195,872</u>	<u>\$ (15,178)</u>
EXPENDITURES				
Current:				
General Government:				
Village Council	\$ 8,150	\$ 8,150	\$ 7,248	\$ 902
President	1,350	1,350	1,106	244
Elections	1,600	1,600	-0-	1,600
Assessor	300	300	300	-0-
Clerk	27,550	27,550	24,965	2,585
Legal and Audit	4,100	4,100	2,238	1,862
Treasurer	11,000	11,000	10,860	140
Village Hall	9,900	8,850	8,381	469
Cemetery	24,850	30,000	29,698	302
Total General Government	<u>\$ 88,800</u>	<u>\$ 92,900</u>	<u>\$ 84,796</u>	<u>\$ 8,104</u>
Public Safety	\$ 12,750	\$ 12,450	\$ 10,537	\$ 1,913
Public Works	39,900	46,100	43,735	2,365
Parks and Recreation	10,000	10,000	3,202	6,798
Insurance	37,000	32,000	28,434	3,566
Other Activities	10,050	17,600	-0-	17,600
Total Expenditures	<u>\$ 198,500</u>	<u>\$ 211,050</u>	<u>\$ 170,704</u>	<u>\$ 40,346</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 25,168	\$ 25,168
FUND BALANCE - March 1, 2005	<u>25,516</u>	<u>25,516</u>	<u>25,516</u>	<u>-0-</u>
FUND BALANCE - February 28, 2006	<u>\$ 25,516</u>	<u>\$ 25,516</u>	<u>\$ 50,684</u>	<u>\$ 25,168</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DOWNTOWN DEVELOPMENT AUTHORITY
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Property Taxes	\$ 106,680	\$ 106,680	\$ 118,384	\$ 11,704
Interest Income	1,500	1,500	3,260	1,760
Event Income			19,967	19,967
Capital Grants	<u>245,000</u>	<u>245,000</u>	<u>242,035</u>	<u>(2,965)</u>
Total Revenues	<u>\$ 353,180</u>	<u>\$ 353,180</u>	<u>\$ 383,646</u>	<u>\$ 30,466</u>
<u>EXPENDITURES</u>				
Parks and Recreation	\$ 32,000	\$ 32,000	\$ 14,398	\$ 17,602
Promotional Administration	48,318	48,318	23,642	24,676
Public Works	<u>450,535</u>	<u>450,535</u>	<u>439,764</u>	<u>10,771</u>
Total Expenditures	<u>\$ 530,853</u>	<u>\$ 530,853</u>	<u>\$ 477,804</u>	<u>\$ 53,049</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (177,673)</u>	<u>\$ (177,673)</u>	<u>\$ (94,158)</u>	<u>\$ 83,515</u>
<u>FUND BALANCE</u> - March 1, 2005	<u>303,001</u>	<u>303,001</u>	<u>303,001</u>	<u>-0-</u>
<u>FUND BALANCE</u> - February 28, 2006	<u>\$ 125,328</u>	<u>\$ 125,328</u>	<u>\$ 208,843</u>	<u>\$ 83,515</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL - MAJOR STREET FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
State Shared Revenue	\$ 51,800	\$ 51,800	\$ 52,614	\$ 814
Interest Income	500	500	942	442
Other Income	500	500		(500)
Total Revenues	<u>\$ 52,800</u>	<u>\$ 52,800</u>	<u>\$ 53,556</u>	<u>\$ 756</u>
<u>EXPENDITURES</u>				
Administration	\$ 11,800	\$ 2,500	\$ 2,485	\$ 15
Routine Maintenance	17,400	58,300	56,458	1,842
Traffic Services	16,600	3,000	2,729	271
Winter Maintenance	7,000	16,000	15,370	630
Total Expenditures	<u>\$ 52,800</u>	<u>\$ 79,800</u>	<u>\$ 77,042</u>	<u>\$ 2,758</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ (27,000)	\$ (23,486)	\$ 3,514
<u>FUND BALANCE - March 1, 2005</u>	<u>85,006</u>	<u>85,006</u>	<u>85,006</u>	<u>-0-</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 85,006</u>	<u>\$ 58,006</u>	<u>\$ 61,520</u>	<u>\$ 3,514</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL - LOCAL STREET FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
State Shared Revenue	\$ 15,800	\$ 15,800	\$ 17,655	\$ 1,855
Interest Income	200	200	332	132
Other Income				
Total Revenues	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 17,987</u>	<u>\$ 1,987</u>
<u>EXPENDITURES</u>				
Administration	\$ 400	\$ 700	\$ 681	\$ 19
Routine Maintenance	11,800	8,800	7,810	990
Traffic Services	500	500	304	196
Winter Maintenance	3,300	6,000	4,833	1,167
Total Expenditures	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 13,628</u>	<u>\$ 2,372</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 4,359	\$ 4,359
<u>FUND BALANCE - March 1, 2005</u>	<u>19,484</u>	<u>19,484</u>	<u>19,484</u>	<u>-0-</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 19,484</u>	<u>\$ 19,484</u>	<u>\$ 23,843</u>	<u>\$ 4,359</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL - MUNICIPAL STREET REPAIR
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Property Taxes	\$ 33,000	\$ 33,000	\$ 28,799	\$ (4,201)
Interest Income	500	500	1,205	705
Total Revenues	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 30,004</u>	<u>\$ (3,496)</u>
<u>EXPENDITURES</u>				
Current:				
Administrative	\$ 2,000	\$ 2,000	\$ 1,677	\$ 323
Debt Service:				
Principal	25,000	25,000	15,000	10,000
Interest	6,500	6,500	4,460	2,040
Total Expenditures	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 21,137</u>	<u>\$ 12,363</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 8,867	\$ 8,867
<u>FUND BALANCE - March 1, 2005</u>	<u>95,023</u>	<u>95,023</u>	<u>95,023</u>	<u>-0-</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 95,023</u>	<u>\$ 95,023</u>	<u>\$ 103,890</u>	<u>\$ 8,867</u>

COMBINING BALANCE SHEET - NON MAJOR GOVERNMENT FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 28, 2006

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET REPAIR</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 52,424	\$ 20,856	\$ 43,709	\$ 116,989
Receivables	9,096	2,987	2,102	14,185
Restricted Assets - Cash and Cash Equivalents			33,026	33,026
Due from Other Funds	<u> </u>	<u> </u>	<u>44,875</u>	<u>44,875</u>
Total Current Assets	<u>\$ 61,520</u>	<u>\$ 23,843</u>	<u>\$ 123,712</u>	<u>\$ 209,075</u>
<u>LIABILITIES</u>				
Due to Other Funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,822</u>	<u>\$ 19,822</u>
Total Liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,822</u>	<u>\$ 19,822</u>
<u>FUND EQUITY</u>				
Fund Balance:				
Reserved for Debt Service	\$ -0-	\$ -0-	\$ 33,026	\$ 33,026
Unreserved	<u>61,520</u>	<u>23,843</u>	<u>70,864</u>	<u>156,227</u>
Total Fund Equity	<u>\$ 61,520</u>	<u>\$ 23,843</u>	<u>\$ 103,890</u>	<u>\$ 189,253</u>
Total Liabilities and Fund Equity	<u>\$ 61,520</u>	<u>\$ 23,843</u>	<u>\$ 123,712</u>	<u>\$ 209,075</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENT
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006**

	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET REPAIR	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ -0-	\$ -0-	\$ 28,799	\$ 28,799
State Shared Revenue	52,614	17,655		70,269
Interest Income	<u>942</u>	<u>332</u>	<u>1,205</u>	<u>2,479</u>
Total Revenue	<u>\$ 53,556</u>	<u>\$ 17,987</u>	<u>\$ 30,004</u>	<u>\$ 101,547</u>
<u>EXPENDITURES</u>				
Current:				
Administrative	\$ 2,485	\$ 681	\$ 1,677	\$ 4,843
Routine Maintenance	56,458	7,810		64,268
Winter Maintenance	15,370	4,833		20,203
Traffic Services	<u>2,729</u>	<u>304</u>		<u>3,033</u>
Debt Service:				
Principal			15,000	15,000
Interest			<u>4,460</u>	<u>4,460</u>
Total Expenditures	<u>\$ 77,042</u>	<u>\$ 13,628</u>	<u>\$ 21,137</u>	<u>\$ 111,807</u>
Net Change in Fund Balance	\$ (23,486)	\$ 4,359	\$ 8,867	\$ (10,260)
Fund Balance - March 1, 2005	<u>85,006</u>	<u>19,484</u>	<u>95,023</u>	<u>199,513</u>
Fund Balance - February 28, 2006	<u>\$ 61,520</u>	<u>\$ 23,843</u>	<u>\$ 103,890</u>	<u>\$ 189,253</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF NET ASSETS - INTERNAL SERVICE FUND
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

<u>ASSETS</u>	<u>EQUIPMENT FUND</u>
Current Assets	
Cash and Cash Equivalents	\$ 62,196
Total Current Assets	<u>\$ 62,196</u>
Capital Assets	
Building	\$ 10,927
Vehicles	298,038
Accumulated Depreciation	<u>(239,158)</u>
Net Capital Assets	<u>69,807</u>
Total Assets	<u>\$ 132,003</u>
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	\$ 69,807
Unrestricted	<u>62,196</u>
Net Assets	<u>\$ 132,003</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - INTERNAL SERVICE FUND
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

	<u>EQUIPMENT FUND</u>
<u>OPERATING REVENUES</u>	
Equipment Rental	\$ 58,442
Total Operating Revenues	\$ 58,442
<u>OPERATING EXPENSES</u>	
Management	\$ 4,363
Insurance	6,200
Operating Supplies	5,489
Repairs and Maintenance	13,458
Administration and Miscellaneous	5,230
Depreciation and Amortization	<u>19,500</u>
Total Operating Expenses	\$ 54,240
Operating Income (Loss)	\$ 4,202
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>	
Interest Income	\$ 2,251
Interest Expense	<u>(95)</u>
Total Non-operating Revenues	\$ 2,156
Change in Net Assets	\$ 6,358
<u>NET ASSETS - March 01, 2005</u>	<u>125,645</u>
<u>NET ASSETS - February 28, 2006</u>	<u>\$ 132,003</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
VILLAGE OF COLUMBIAVILLE- LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

EQUIPMENT FUND

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 58,537
Payments to Suppliers and Vendors	(28,124)
Payments to Employees	<u>(6,616)</u>

NET CASH FLOWS FROM OPERATIONS	\$ <u>23,797</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on Long-Term Debt	\$ (10,191)
Interest Paid	<u>(259)</u>

NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ <u>(10,450)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	\$ <u>2,251</u>
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NET CASH FLOWS FROM INVESTING ACTIVITIES	\$ <u>2,251</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 15,598
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<u>CASH AND CASH EQUIVALENTS - February 28, 2005</u>	<u>46,598</u>
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<u>CASH AND CASH EQUIVALENTS - February 28, 2006</u>	<u><u>\$ 62,196</u></u>
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RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income	\$ 4,202
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	19,500
Decrease in Accounts Receivable	<u>95</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 23,797</u></u>
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERSBASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Columbiaville
Lapeer County, Michigan

We have audited the basic financial statements of the Village of Columbiaville as of and for the year ended February 28, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Columbiaville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Columbiaville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robson & McCallum, CPA's
October 27, 2006



ROBSON AND McCALLUM
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Village Council
Village of Columbiaville
Lapeer County, Michigan

Compliance

We have audited the compliance of Village of Columbiaville with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended February 28, 2006. The Village of Columbiaville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Columbiaville's management. Our responsibility is to express an opinion on the Village of Columbiaville's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Columbiaville's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Columbiaville's compliance with those requirements.

In our opinion, the Village of Columbiaville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2006.

Internal Control over Compliance

The management of the Village of Columbiaville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Robson and McCallum, CPA's
October 27, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
VILLAGE OF COLUMBIAVILLE ~ LAPEER COUNTY, MICHIGAN
FOR THE YEAR ENDED FEBRUARY 28, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S DEPARTMENT OF AGRICULTURE Waste and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$ 863,015</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed Through Michigan Economic Development Corporation Community Block Development Grant/ State Program	14.228	MSC 201081	<u>\$ 160,978</u>
U.S DEPARTMENT OF TRANSPORTATION Passed Through Michigan Department of Transportation Highway Planning and Construction	20.205	04-5435	<u>\$ 81,057</u>
 Total Federal Awards			 <u>\$1,105,050</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
VILLAGE OF COLUMBIAVILLE – LAPEER COUNTY, MICHIGAN
FOR THE YEAR ENDED FEBRUARY 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Columbiaville and is presented on the same basis of accounting as the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
VILLAGE OF COLUMBIAVILLE – LAPEER COUNTY, MICHIGAN
YEAR ENDED FEBRUARY 28, 2006

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Any material weakness(es) identified?

yes X no

Any reportable condition(s) identified not considered to be
material weaknesses?

yes X none reported

Any noncompliance material to financial statements noted?

yes X no

Federal Awards

Internal Control over major programs:

Any material weakness(es) identified?

yes X no

Any reportable condition(s) identified not considered to be
material weaknesses?

yes X none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-133, Section .510(a)?

yes X no

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

CFDA # 10.760

Water and Waste Disposal Systems for Rural Communities

CFDA # 20.205

Highway Planning and Construction

CFDA # 14.228

Community Block Development Grant / State Program

Dollar threshold used to distinguish between Type A and Type B
programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes X no

Section II: Financial Statement Findings

There were no findings

Section III: Federal Awards Findings

There were no findings.

See Auditor's Report and Notes to the Financial Statements.